

2007 SLEMA Annual Report



**Snap Lake Environmental Monitoring Agency
Main Floor, Lahm Ridge Tower
P.O.Box 95, Yellowknife, NT X1A 2N1
867-765-0961
info@slema.ca**

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Message from the Chairperson

It is my pleasure to present to you the 2007 Snap Lake Environmental Monitoring Agency (SLEMA) Annual Report. We have put together information that we hope will provide you with a summary of our many activities and present you with upcoming planned activities at the De Beers Snap Lake mine site. SLEMA has been involved in a number of workshops and a number of projects and mine site tours during 2007. SLEMA has also been involved in reviewing, providing comments and feedback on the many reports and plans submitted by De Beers. In order to achieve this SLEMA has a Traditional Knowledge Panel made up of respected elders from the four involved aboriginal communities, a Science Panel made up of specialists in a variety of fields and a fulltime Environmental Analyst. In 2006 SLEMA was just finding its footing with new staff members. Now in 2007 SLEMA is fully staffed and fully functioning. There have been some changes to the Board. Sheryl Grieve, the North Slave Metis Alliance (NSMA) Representative, who served as an Executive Board Member and the Treasurer left the board in mid year and was replaced by Shannon Hayden. Shannon has also assumed the role of the Treasurer for the Board. Throughout 2007 SLEMA has held two workshops for Wildlife Monitoring and Wildlife Safety as well as Fish Palatability Program. A document was produced in conjunction with the wildlife workshop which made comments on the Wildlife Safety Plan and the 2005 Wildlife Effects Monitoring Report. A joint workshop was also held to discuss a protocol for the Fish Palatability Program as well as to discuss the terms of reference for a Traditional Knowledge Base Camp at Snap Lake. SLEMA representatives also performed two mine site visits, one in February to inspect the Snap Lake Winter Spur Road and another in May to inspect the water management facilities.

SLEMA was also involved in the fish palatability program and also in the coordinating and participation in this program. SLEMA has also been involved with De Beers in developing their Environmental Agreement Annual Report by

advising on how to improve on reporting their progress in protecting the environment and fulfilling its obligations under the Environmental Agreement.

This is an important year for the Snap Lake project as it moves from a construction phase into full production. SLEMA will endeavour to continue to work with Government and De Beers in ensuring regulatory compliance and best practises are used to protect the fragile arctic environment.

Chairperson Wegodı

Mahsi, 2007 Snap Lake Environmental Monitoring Agency (SLEMA) Annual Report, ı́hè xo tat'è Snap Lake Ndè Hoidı Naáwo wenıhtı́'èkò edaanı eghálagı́da wegodı atı́'è hót'e. Godı ghaá t'ası hazo k'è eghálats'eèda eyıts'ò ı́dáá De Beers xè Snap Lake sombak'è t'ası k'è eghálats'eèda gha edexè sigots'eèh?ı́ sı́ dek'ehtı́'è hót'e. SLEMA wenıhtı́'èkò 2007 k'è ı́o eht'a ełexè eghálats'eèda t'á ełets'adı eyıts'ò t'ası ı́o ká?a k'è eghálats'eèda eyıts'ò ı́o eht'a sombak'è náts'áde hót'e. De Beers, SLEMA wenıhtı́'èkò gots'ò ndè hoidı naáwo ts'ohk'è nıhtı́'è ageèh?ı́ sı́ hazo wek'éyatı́ xè wek'è yatı́ gehtsı́ hót'e. SLEMA gha dı́ kòta gots'ò ohda dı́ Dene Naáwo gha dehk'w'e hót'e, eyıts'ò Science Panel náedı́ k'èzò ká?a sı́ ełexè dehk'w'e eyıts'ò Environmental Analyst, ndè gha náedı́ k'èzò ı́e gonıhtı́'èkò gogha eghálaeda hót'e. 2006 k'è SLEMA wenıhtı́'èkò wets'òdahatò t'á dò gonıhtı́'èkò eghálaeda adza ı́lè. Dı́, 2007 SLEMA wenıhtı́'èkò dò ek'èłò eghálaeda adza. Board k'è dòne ełexè dehk'w'e sı́ ı́adı adza hót'e. Sheryl Grieve, North Slave Metis Alliance (NSMA) gha wheda sı́ Executive Board Member eyıts'ò Treasurer ı́le sı́ nót'e t'á Shannon Hayden yetı́'akò wheda adza hót'e. Eyıt'á Shannon yetı́'akò Treasurer elı́ t'á Board k'è wheda adza. 2007 k'è SLEMA náke eht'a Tich'adı Hoidı eyıts'ò Tich'adı T'asawodesò eyıts'ò Łıwe K'aèta k'è eghálagı́da . Eyı́ weghò ełegeadı t'á Tich'adı T'asawodesò eyıts'ò 2005 Tich'adı Wexèı́dı́ Hoidı gha nıhtı́'è hòlı́ hót'e. Edaanı́ hıwe k'aèta k'è eghálats'eèda dè nezı́ ha sonı́ ts'ı́wò t'á ełets'adı eyıts'ò Snap Lake, edaanı́ Dene Naáwo gha hagots'eèhk'ò k'è gò?ò ha weghò ełets'adı. SLEMA gha dò ełexel dehk'w'e sı́ náke eht'a sombak'è mine

nàgeède t'á, February k'è Snap Lake Winter Spur Road xo tɪli k'ageèhtɔ eyits'ɔ May k'è edaani tɪ t'á eghálageèda t'á tɪ kò gòʔɔ k'ageèhtɔ.

SLEMA wenɪhtɪ'èkò gots'ɔ dɔ ɪiwe k'álegogeli k'è eghálagɪda hɔt'e. SLEMA wenɪhtɪ'èkò De Beers xé eghálageèda t'á Environmental Agreement Annual Report – xo t'at'è Ndè Hoidɪ Naawo ts'ohk'è edaani eghálageèda t'á nɪhtɪ'è gehtsɪ t'á edaani deʔɔ nezɪ ndè hogɪhdɪ ha eɬets'ágeèdɪ hɔt'e.

Dɪ xo Snap Lake gha sɪi wet'aʔà hɔt'e, sɔmbak'è hohɬe xèhoɪwo gots'ɔ sɔmbak'è láà xèhoɪwɪ gha nègɪde t'á. SLEMA wenɪhtɪ'èkò ats'ɔ Ndè ts'ɔ K'aowoh eyits'ɔ De Beers xé naawo gha eghálageèda ha eyits'ɔ t'asi hazɔ t'á hòzɪ nɛ k'è hotɪ nezɪ wehoidɪ ha eghálageèda ha hɔt'e.

K'áldher béhonié

Ku sınıé sı jı Snap lake naré t'at'u ʔasié hadı hél gháladá sı 2007 xaiyé k'é hadı. Hanıé ʔerítł'ıs híłts'ı bégharé t,át,u gháladá sı ghq tth'ı t'at'u ʔasié hadı hél gháladá lá ıq ʔéłk'éch'á ʔasié badı xadı. Tth'ı dırı xaiyé t'at'u ʔasié hadı hél gháladá sı né hél hadı De Beers Snap Lake tsambá k'é nont'q sı naré hadı.SLEMA sı ʔasié hadı ıq hél ghalaná-u,workshop k"é yaghé dené hél halnı-u tth'I tsambá k'é Dené nailı 2007 ku hadı. SLEMA Dené yatı nilé sı begharé t'at'u Dené ʔasié hadı xá t'at'u yurélʔı sı xaré ʔéghalána ʔat'é dırı De Beers ʔerítł'ıs begharé gháladá xá dé Déné ch'anié chu that'ıné bechŁanıé ʔáłá bek'é gháladá xadı.Dené béch'anié hél ghalada bet'á dı kuę ts"ı ʔanıdhé ʔáłá déłtthı hél begharé ʔégháladá ʔat'é. Ku 2006 xaiyé ku SLEMA sı Dené godhé la k'é nilá-u ʔeyer ts'ı dı dzıné Dené dagharé lá k'é déłtth'I ghadálana hunıdhęn. 2007 ku nanı Dené ʔéłnıadél t'q dené sı dırı ts'ékıu Dené booker's ba thedá sı Sheryl Grieve bedı t'q yenaiyá sı Shannon Hayden hulyé. Dırı Shannon sı Sheryl t'at'u ʔéeghálana sı k'ızi ghálana ʔat'é.2007 ku SLEMA sı ná ts'ęn workshop théłts'ı-u tth'I łué tthęn násédłı hél ghalada hunıłtther tth,I kech'andıé ʔeyané né ch'á hél ghalada. Kéch'andıé hél gháladá-u tth'I ʔéyané ch'á badı ku 2005 yakı halı ts'ı ʔané bek'é gháladá ʔat'é.T,á ts'ęn Dené nadé xá sı nı hılchu łué nazédłı ghq nõdher dé xa hadı.SLEMA dené Snap Lake tsambá k'é haʔq sı kozı NatSteel Sa nedu zá ku tsambá k'é NatSteel xaiyé kulu net'ı xá tth'I łuk'é kozı NatSteel ku sérıdhęn hél ghalada sı net'ı xá. SLEMA łué bétthęn násédłı hunıłtther dıni t'á bedagharé ghalada ʔat'é De Beers bet's'ęn bet'á ʔasié tsıdhı ch'á xa badı xá yatı nedhé halı begharé

ghalada xá. Dené xél hadı t'at'u la nré ʔasié hadı sı xaiyé gharé tth,I nayé ʔasié nezq beghalada hilé dé t'at'u nezq ʔalı sı ts'ən sélyé xá. Ku dırı la halı sı ʔasié nedhé ʔat'é Snap Lake naré tsambá k'é la nedhé hunıdhən ʔat'é. SLEMA sı dq t'at'u ʔsié hadı tsıdhı ch'á k'é ghalana ghq ʔáıq Government chu De Beers chu hel ʔasié tsıdhı ch'á ghalada sı hat'u ghalana xá dezı ʔedzá nené k'eyaghé ʔerıtı'ıs nedhé thela begharé nı k'é ghalada dé badı xa t'at'u sugha hunıdhən ts'ən hadı.

What is SLEMA?

The Snap Lake Environmental Monitoring Agency's (SLEMA) Board was established under direction of the De Beers Snap Lake Diamond Project Environmental Agreement established between De Beers, Government of Canada, Government of the Northwest Territories and the four affected Aboriginal Organizations. The Aboriginal representatives originate from the Tlicho Government, Yellowknives Dene First Nation, North Slave Metis Alliance and the Lutsel K'e Dene First Nation. The mandate of SLEMA is to support the aboriginal parties in protecting the environment, support liaison between the parties, support De Beers and Government in protecting the environment, review environmental performance, serve as a public watchdog for the regulatory process, and provide a public repository for reports and plans in relation to the Snap Lake Project.

What are SLEMA's Responsibilities?

SLEMA's mandate is established under Article IV Section 4.2 of the Environmental Agreement and are as follows.

- (a) support the Aboriginal Parties' efforts to protect the environmental interests on which they rely;
- (b) support collaborative and information-based liaison amongst all the Parties;
- (c) support De Beers, Canada, and GNWT in their respective efforts to protect the environment;
- (d) review and monitor the environmental performance of the Project using western science and traditional knowledge;
- (e) work with De Beers to mitigate environmental impacts of the Project thereby mitigating the potential for socio-economic effects;
- (f) serve as a public watchdog of the regulatory process and the implementation of this Agreement;

(g) make recommendations to any body having regulatory or management responsibility for a matter, for the achievement of the purposes and guiding principles in this Agreement;

(h) facilitate programs to provide information to and consult with the members of the Aboriginal Parties;

(i) report to the Parties and the public on the Monitoring Agency's activities and the achievement of its mandate; and

(j) provide an accessible and public repository of environmental data, studies and reports relevant to the Monitoring Agency's mandate.



Core group Meeting



2007 Annual General Meeting

(Photocredits: photos on page 9 courtesy of De Beers Canada Inc. All other photos copyright SLEMA)

How is SLEMA Structured?

SLEMA is directed by a board of eight individuals with two representatives each from the four signatory aboriginal groups. The board takes direction from two panels, a science panel and a traditional knowledge panel. SLEMA also has two full time employees, an Executive Director that administers the agency and an Environmental Analyst, who reviews documents from De Beers and also provides direction to the board.

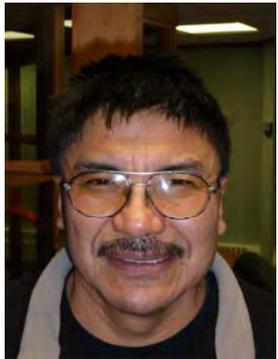
Executive Board Members:



Johnny Weyallon
Chairperson
Tlicho Government



Rachael Crapeau
Vice Chairperson
Yellowknives Dene
First Nation



Charlie Catholique
Secretary
Lutsel K'e Dene First
Nation



Shannon Hayden
Treasurer
North Slave Metis
Alliance

Board Members:



Greg Empson
Yellowknives Dene
First Nation



Claudia Haas
North Slave Metis
Alliance



Noel Drybones
Tlicho Government



James Marlowe
Lutsel K'e Dene First
Nation

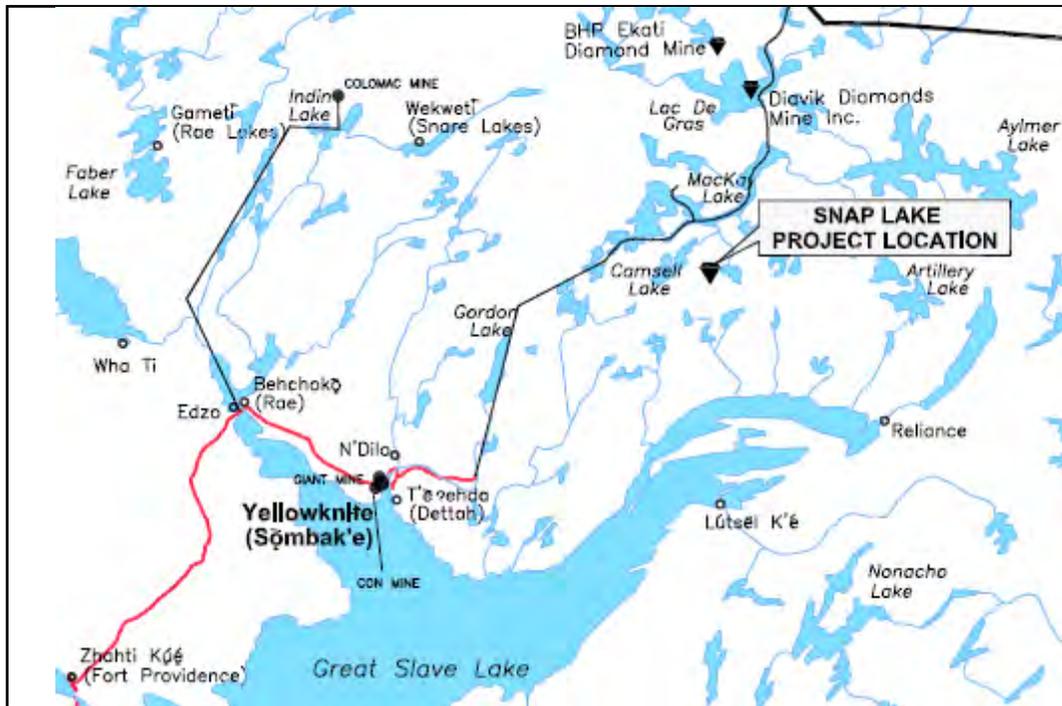
Traditional Knowledge Panel:

Eddie Camille and **Harry Apple**, *Tlicho Government*

Grant Beck and **George Madeville**, North Slave Metis Alliance

Joe Michel and **Madeline Drybones**, Lutsel K'e Dene First Nation

Mike Francis and **Peter D. Sangris**, Yellowknives Dene First Nation



Location of Snap Lake Diamond Mine



Current Mine Developments

Developments at the mine have been rapid over the last year. The permanent water treatment plant was commissioned in April 2007 and has the

capability of treating up to 35,000 cubic meters of waste water per day. The ore processing facility was completed as well as the conveyer system from the mine shaft. The first diamonds were recovered in August 2007. This facility was working but was undergoing fine tuning for the greatest recovery. By late 2007 approximately 1,000 tons of ore were being processed per day. The tank farm consisting of three 12 million Litre tanks was completed and now is operational. The permanent power plant is operational with 6 diesel generators. The 4 main generators are capable of producing 4.2 megawatts of power. Two generators are for back up only. By December the population at the mine site was down to 625 personnel. This number is expected to drop to 358 personnel upon completion of the mine.



Processing Plant



Conveyor

Satisfactory Site Environmental Management Performance in 2006

Based on De Beers Snap Lake Project 2006 Environmental Agreement Annual Report, the mine site environmental management performance was satisfactory in 2006.

- Air Quality
 - More greenhouse gas produced due to more construction taking place
 - Less dust generated
- Aquatics

- No big changes in water quality
- Small to moderate increases in dissolved salts in the water in Snap Lake
- No changes in bugs detected
- Archaeology
 - No archaeological sites disturbed
- Hydrology
 - Slight increases in water levels in Snap Lake about the same as other lakes nearby
- Hydrogeology and Geochemistry
 - Rock types at the site have not changed
 - More water than expected seeped into the underground mine, which resulted in more salts in the lake water
 - Different technology alternatives investigated to resolve the issue
- Vegetation
 - Satellite pictures used in the monitoring
 - Less impact on vegetation than expected, except for the esker



Snap Lake



Vegetation near the Mine Site

- Wildlife
 - 30 caribou groups were observed during the northern migration and only one group was seen during the post-calving season

- Two grizzly bears, one black bear, and one wolf den with three pups and an adult wolf seen during surveys
- Signs of wolverine, but no wolverines seen
- Five peregrine falcon nests, one gyrfalcon nest and one rough-legged hawk nest found
- Compliance
 - Four Inspections by Indian and Northern Affairs Canada (INAC)
 - All issues were addressed
- Mitigative measures
 - Difficulties in meeting the sewage effluent requirement of Faecal Coliform
 - Additional disinfection stages improved the values
- Adaptive management
 - Increased amount of mine water required treatment
 - Improved Temporary Water Treatment Plant capacity
- Public Concerns
 - One NSMA member asked for the test results of the mine water sampling, and monthly water quality monitoring reports were provided
- New Technologies Investigated
 - None, because the project was under construction

Agency Activities 2007

SLEMA's responsibilities require action on many levels. Primarily SLEMA communicates with De Beers and Government Agencies observing the activities of all parties in relation to the Snap Lake project. SLEMA ensures that all parties are fulfilling their regulatory commitments and obligations under the Environmental Agreement. To fulfill these obligations SLEMA has been involved in numerous activities related to its mandate. SLEMA reviewed all the reports

and plans produced by De Beers during 2007. SLEMA has made a number of mine site tours in 2007.



Water Management Presentation



Power Plant

SLEMA toured the Facilities in February 2007 and traveled the winter Spur road from the mine site to the Tibbet-Contwoyto Joint Venture Road. In May 2007 SLEMA inspected the operational water treatment facilities. In August SLEMA was involved in the Fish Palatability program established under the Water License. In October 2007 SLEMA's Environmental Analyst inspected the water management facilities. SLEMA also held two workshops, one on Wildlife and another on Fish Palatability Program.

Mine Site Visits

February Mine Site Visit

The SLEMA Board had some concerns regarding environmental practices along the winter roads that supply Snap Lake Mine and the other mines. SLEMA wished to do an inspection of the Joint Venture Winter Road from its inception point at Tibbet Lake to the Snap Lake mine site. Due to logistical constraints a tour was down sized to the Spur ice road under direct De Beers responsibility. This is the spur road that starts at the mine site and terminates at the junction with the Tibbet to Contwoyto Joint Venture ice road. The tour took place on February 20th. Seventeen members of SLEMA including members of the

Traditional Knowledge Panel, board members and SLEMA staff traveled to the mine site and then traveled by bus the length of the spur ice road that connects the Snap Lake mine to the Tibbit-Contwoyto ice road.



February Winter Road Trip



Oil Tank Truck on the Winter Road

The inspection started at the Snap Lake Mine site around 10 am, the Spur road was driven by bus, returning to the mine site around 2 pm. Except for one red fox (*Vulpes vulpes*) no wildlife was observed. The condition of the road was observed. The road was approximately 60-80 meters wide. The snow berms on either side of the road averaged about 1.2 meters in height. The surface of the road was smooth, and at places where bare ice is exposed was very slippery. A number of portages were observed which were approximately 10-15 meters in width. A historic site of significance was also observed alongside a Portage. This site appeared to have been well flagged. No evidence of spills or garbage was observed.

May Mine Site Visit

The purpose of this inspection was to look at the water management systems at Snap Lake Mine. The Main Water Treatment Plant had just been commissioned a month earlier in April. This Plant is able to treat 35,000 cubic meters of waste water per day. At the time of the site visit it was treating 10,000 cubic meters per day allowing for generous capacity should it be required. The

tour also consisted of visiting the Water Management Pond, which is used as a reservoir where seepage and runoff from the mine and site can be held until treatment, and as a contingency pond to temporarily store the water from the mine shaft and from the processing plant. Also domestic water treatment and sewage treatment plants were inspected as well as the discharge diffuser into Snap Lake.



Site Tour



Water Treatment Plant

Environmental Analyst Site Visit

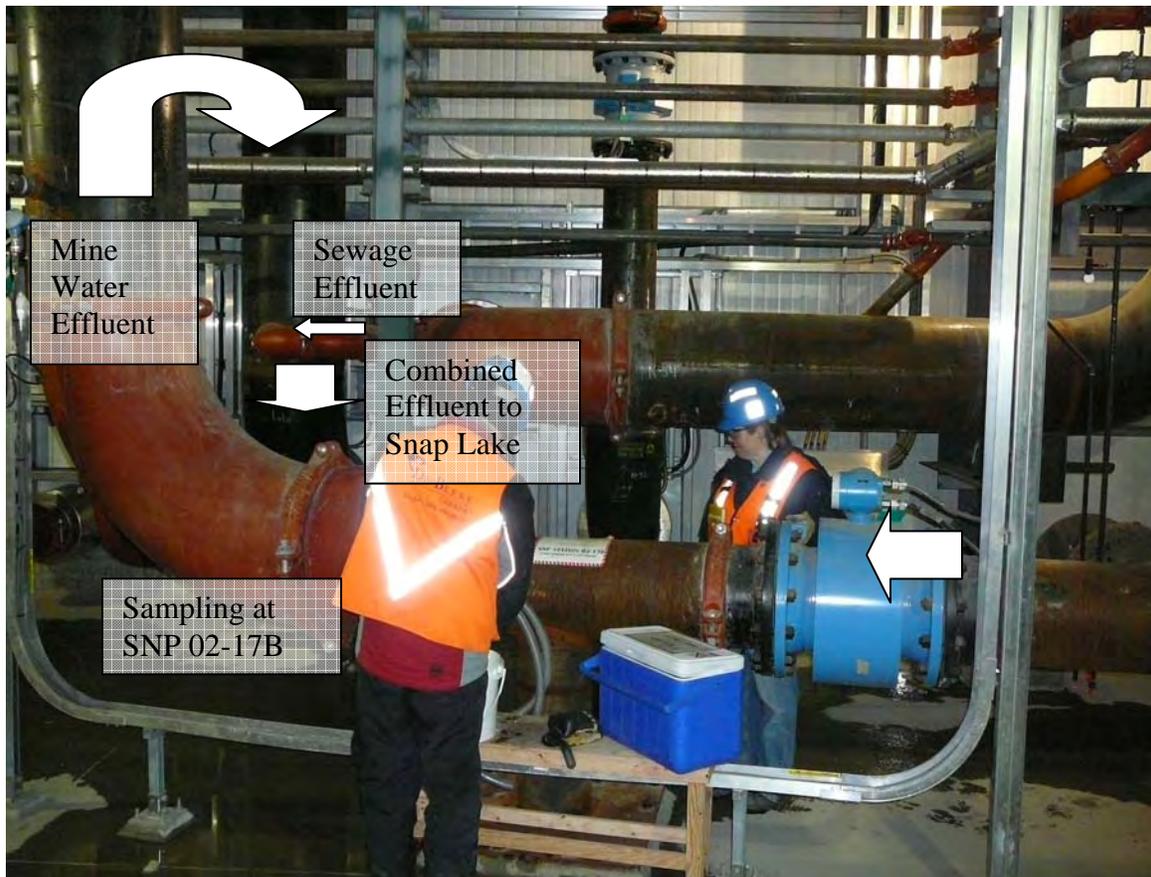
De Beers proposed a change in its Surveillance Network Program (SNP, water quality compliance monitoring) on August 13, 2007. In order to clarify issues related to the SNP change, Zhong Liu, SLEMA's Environmental Analyst was invited to visit the mine site on Oct. 4, 2007.

The SLEMA representative was offered a tour of the piping in the water management facilities, including the sewage treatment at the construction camp, Water Management Pond, Temporary Water Treatment Plant and Main Water Treatment Plant, runoff and seepage collection in the North Pile, as well as a tour of the air monitoring station. In addition, the mine site environmental lab was visited.

The proposed change of SNP stations were found to be reasonable, and would streamline the SNP program, which is consistent with SLEMA comments on the 2006 Water Licence Annual Report. After discussion with the site

environmental staff, the details for the management of two waste water streams (sewage and mine water) over the mine development were also clarified.

During the tour, it was discovered that the water quality monitoring station in the Main Water Treatment Plant (SNP 02-17B) was improperly positioned, and the conductivity meter was not functioning well. De Beers committed to correct the problems.



Effluent Piping Problem in the Main Water Treatment Plant

Note: The sewage pipe was inappropriately put behind the effluent monitoring station SNP 02-17B, which is not compliant with the water licence requirement.



Problematic Meter for Effluent Conductivity

Note: the number for effluent conductivity seems to be problematic (the Total Dissolved Solids (TDS) of mine water effluent is around 1000 mg/L; based on the conversion factor in Snap Lake from conductivity to TDS – 0.5, 35.9µS/cm is equivalent to 18 mg/L TDS; the two numbers (1000 mg/L vs. 18 mg/L) are not matched with each other). De Beers acknowledged the problem, and pointed out that calibration had been made manually and the vendor was contacted to fix the problem.

Fish Palatability Program

One of De Beers obligations outlined in the Snap Lake Diamond Project water license is the fish palatability program. The intent of this program is to allow an incorporation of traditional knowledge into the Aquatic Effects Monitoring Program and allow aboriginal direct involvement in the environmental monitoring at Snap Lake. This program is in its fourth year and after reviewing the program it was determined that it required some work to bring out its full potential. To this end SLEMA developed a draft protocol to be used to outline methodology in the delivery of the program. 2007 was the first year the protocol was to be

implemented. The protocol outlined the methodology in the fishing and the preparation of the fish for tasting. Efforts were made to reduce biased cooking methods that might mask any contaminants in the flavor. Fishing methods were also developed in consultations with the Department of Fisheries and Oceans and De Beers.



Temporary Camp



Processing Fish

During the August 2007 program the protocol was followed reasonably closely. Three fish were caught using recommended equipment. No concern was raised by the Traditional Knowledge Panel regarding the health of the fish. The fish was cooked without using butter, margarine salt or any other product that could mask the taste. During the tasting 5 of the tasters detected gasoline on two of the samples. The comments made suggested that it may have been poor handling after the fish were caught, or it may have been a deceiving taste of the fish from differing water bodies.



Eating Fish



Fishing Team and Elders

As a result of the report of gasoline taste in the fish De Beers decided to rerun the program again. De Beers held a second fish tasting event in September. In this case SLEMA was not involved other than as an observer. The protocol drafted by SLEMA was not followed in the catching or the preparation of the fish. The main deviation from the protocol that caused concern was the use of salt and butter in the cooking of the fish. De Beers also hand picked the participants and contacted them directly and in some cases without contacting the authority to whom these representatives belonged. SLEMA was very concerned and puzzled by these developments. The actions taken by De Beers was unnecessary and was counter productive towards the purpose of developing good community will and involving aboriginal Traditional Knowledge in the environmental work. SLEMA made a formal protest of De Beers actions by way of a letter outlining its concerns and how it could have better been handled. Mainly SLEMA felt that De Beers should have acknowledged the feedback of unusual flavor in some of the sample fish, taken tissue samples and determined if there is any justification for this taste of gasoline. A rerunning of the program demonstrated a failure of the fundamental purpose of this program, which is to involve Traditional Knowledge.

Workshops

Wildlife Workshop

On February 21st 2007 a Wildlife Workshop was held. Involved in the workshop was the SLEMA board, Traditional Knowledge Panel and De Beers. During the workshop De Beers presented their wildlife work for 2006. De Beers made a good presentation which was well designed for the audience and cover the basic results of the wildlife work performed. Emphasis was heavily weighted towards caribou monitoring, which was appropriate due to the intense concern over caribou numbers in the NWT. Other work covered was grizzly bear and wolverine monitoring, as well as well as surveys of raptors.

Fish Palatability Workshop

During this workshop held on May 9th a number of issues were discussed in regards to the Fish Palatability Program. During this meeting SLEMA and its Traditional Knowledge Panel, discussed the fish palatability program with De Beers and the Department of Fisheries and Oceans. During this workshop SLEMA presented its methods and parameters it wished to see De Beers follow in this commitment. The recommendations made were as follows:

1. A maximum of two 4.5" mesh nets, 50 feet in length and maximum depth of 6 feet will be used. Nets will be monitored continuously to evaluate the number of fish captured and they will be checked whenever it is felt there are 10 fish caught and at least once every hour.
2. Location of the net set will be determined by the individuals responsible for the fishing.
3. A maximum of 10 fish (about 40 Kilograms/88 pounds) will be caught. Fish under the size of 30cm will be live released if possible.
4. Fishing will take place over an 8 to 12 hour period the day prior to the fish palatability program and will be completed prior to 18:00 as per site protocol. Fish will be put on ice in coolers for storage.

5. Each fish will be given an identification number.
6. The whole round fish will be reviewed by each of the participants and assessed for health. This would include taking a photograph, checking the guts and general observations when the fish are being prepared for cooking.
7. Preparation of the fish will be only by boiling on a Coleman camp stove. One fillet from each individual fish will be boiled separately in water that has not been used for the preparation of any prior fillet.
8. No cooking medium (oil, butter margarine), spices, seasoning, salt, pepper, etc., will be applied to the fish.

Comments on Management Plans and Monitoring Programs

Air Quality and Emissions Monitoring and Management Plan

The Snap Lake Diamond Project (the Project) Environmental Agreement required De Beers to develop an Air Quality Monitoring Program (AQMP) and an Emissions Management Plan (EMP). De Beers made the most recent revision to the AQMP and EMP and harmonized them into one document, which were submitted in October 2007.

The AQMP component of the Plan is to coordinate off-site monitoring of ambient air quality at the Project during the construction, operations, and closure phases. The EMP component presents the approaches that will be used in the annual report to provide a summary of Project emissions.

SLEMA identified a few issues and asked for clarification from De Beers, such as active mine area, off-site monitoring and on-site monitoring. SLEMA also recommended that De Beers improve the description for emissions mitigation strategies, e.g. the addition of the action plan for lower sulphur content diesel for SO₂ emission reduction and alternative energies use for greenhouse gases emission reduction.

Emergency Preparedness & Response Programmes

SLEMA reviewed this document dated May 2007 and found that as this document deals almost entirely with work site safety in regards to human safety, and the procedures in dealing with disaster type scenarios this lies mostly outside the scope of SLEMA's mandate to make comment.

Spills Contingency Plan

This Plan, dated April 2007, is an update from the previous approved June 2005 Spill Contingency Plan. Its purpose is to facilitate the prompt, efficient and safe clean-up of materials used during the construction and operation of the Project. The Plan deals with the materials handled on the mine site, including Fuels, Oils, Lubricants and other Petroleum Products, Compressed Gases, Explosives, Processed Water and Water Treatment Chemicals, Effluents and Slurries.

Overall, the Spill Contingency Plan appears to be reasonably complete and demonstrates that De Beers has given some thought to spill prevention, response and cleanup. SLEMA has, in addition to identifying deficiencies in the plan, also provided constructive advice which is intended to improve upon the emergency response and training, clean up strategies, site information, and spill response action plans of the existing plan.

Errors were found in the physical and chemical information sheets of hazardous materials. SLEMA suggested that De Beers should carefully and with greater attention to detail, review all of the data sheets to ensure that the information presented is accurate and relevant. SLEMA also recommended that De Beers provide a spreadsheet with a list of hazardous materials present on site as well as the estimated quantities of each.

Wildlife Management Plan

De Beers circulated a draft Wildlife Safety Plan in December 2006 for review. SLEMA made comments on it, and pointed out that the Plan reads as a generic plan with no specific reference to Snap Lake site's particular characteristics, specific recommendations from Mackenzie Valley Environmental Impact Review Board and what has been learned from wildlife management at the other diamond mines.

SLEMA recommended that the Plan should more closely fit the Environmental Agreement requirements. In November 2007, De Beers re-named the document to Wildlife Management Plan and re-submitted it, in which the comments from the reviewers were incorporated.

The revised Plan describes the potential effects of the Project to wildlife during project design, construction and operation phases, and the strategies, plans, programs and procedures that address wildlife protection and management.

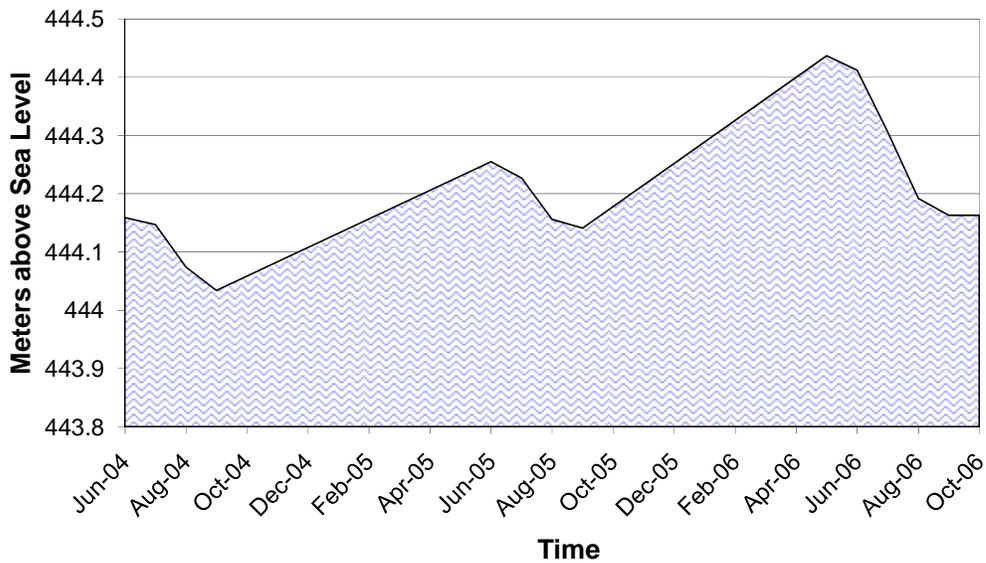
Comments on Annual Reports

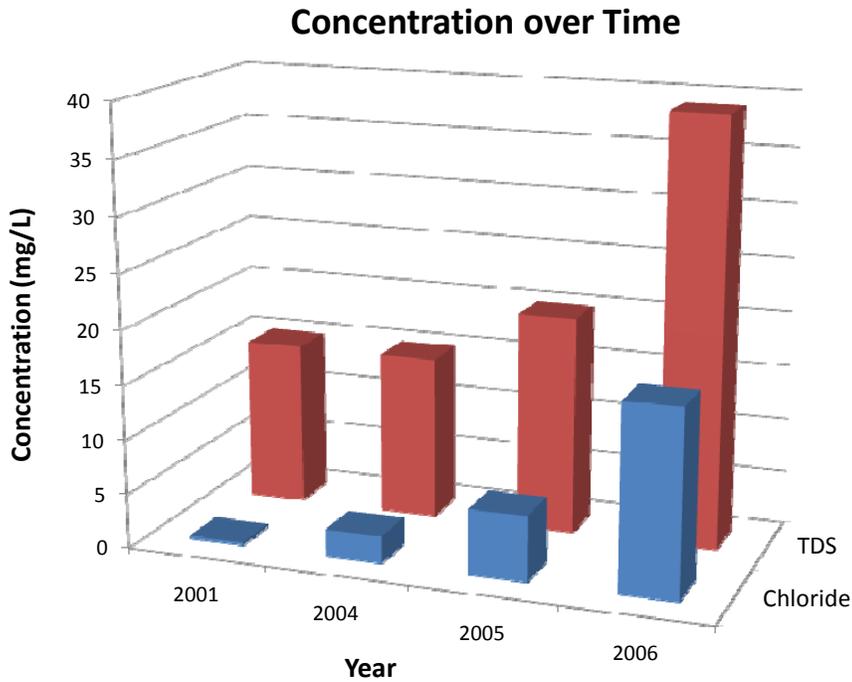
2006 Water Licence Annual Report

In April 2007 De Beers submitted its 2006 Water Licence Annual Report, which includes 2006 Annual Report for the Aquatic Effects Monitoring Program. This document reported the quantity and quality of the water intake from Snap Lake, the treated mine water discharge to Snap Lake, and lake water quality of Snap Lake. Monitoring results of sediment quality, phytoplankton and zooplankton, benthic invertebrate, and juvenile fish special study are also recorded in this document. SLEMA made comments on the water quality part and believed its reporting is adequate reasonable and compliant with the Water Licence MV2001L2-0002 requirements.

SLEMA pointed out a few problems with the application of the Water Licence discharge criteria for sewage effluent, and recommended that the related monitoring program should be streamlined. SLEMA also expressed its concerns on the increase of water level and the concentration of Total Dissolved Solids (TDS) in Snap Lake, which resulted from the elevated amount of mine water discharge. The concern on the lake level increase was released later after De Beers provided extra information and SLEMA’s Environmental Analyst conducted further investigation.

Lake Level Change over Time

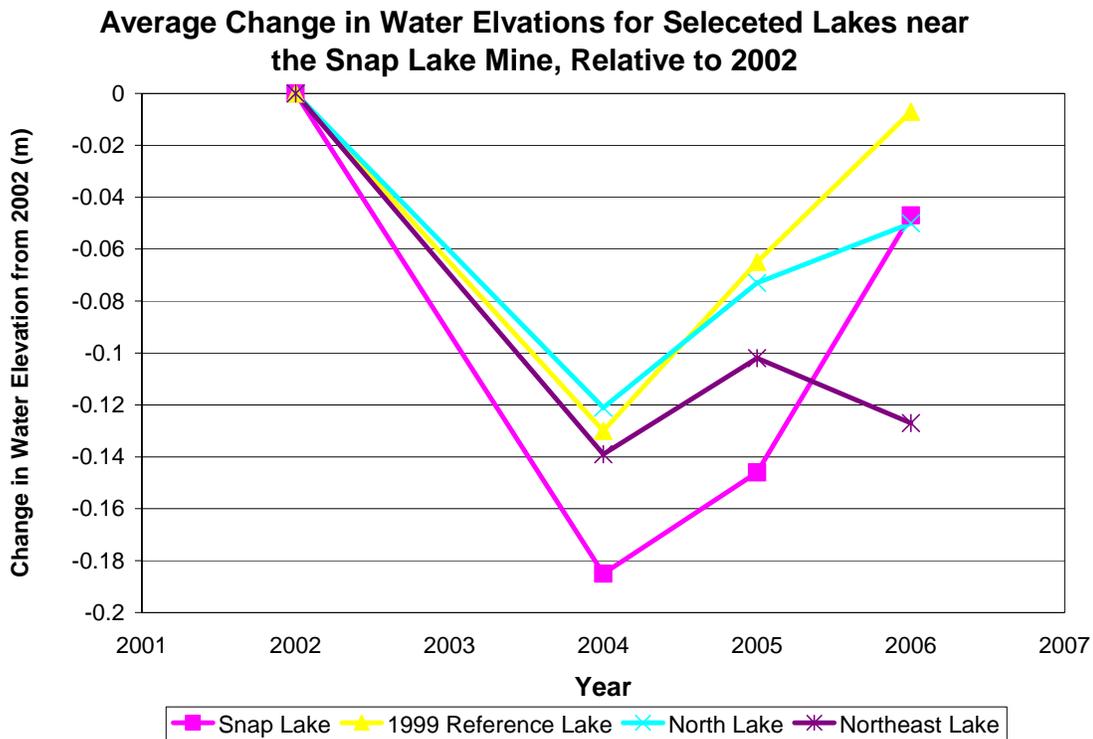




Responses from De Beers

De Beers responded to SLEMA comments on 2006 Water Licence Annual Report point by point, with either explanation or accepting SLEMA recommendations.

With regard to SLEMA concern on lake water level increase, De Beers provided the following figure showing similar water level change in neighbouring lakes.



2005 Environmental Agreement Annual Report Supplement

In May 2007 De Beers distributed the Environmental Agreement 2005 Annual Report Supplement in response to the unfavourable comments from SLEMA and the Government of Northwest Territories on its Environmental Agreement 2005 Annual Report dated June 2006.

The Supplement generally provided an acceptable summary of the 2006 monitoring results and analysis, operation and compliance, and the comparison between the actual performance and the Environmental Assessment predictions.

SLEMA acknowledged De Beers efforts in the improvements of reporting format and content, and encouraged De Beers to continue the momentum.

2006 Air Quality Monitoring Program Annual Summary

In the report dated October 2007, 2006 results of mine site air quality, meteorological monitoring and emissions are summarized. More greenhouse gases were produced in 2006 because of more construction taking place.

The data recovery rate for air quality monitoring has been a problem under adverse climatic conditions. SLEMA recommended that De Beers take more proactive measures (both appropriate equipment and proper management) to improve air quality monitoring.

2006 Hydrology Monitoring Program Annual Report

In November 2007, De Beers submitted its 2006 Hydrology Monitoring Program Annual Report. De Beers monitored lake levels, stream flow and outflow, and the results indicate that they were near normal. There was insufficient data collected for site runoff due to lack of flow during precipitation events and spring freshet, and there was not enough valid hydro-meteorological data due to equipment malfunction.

SLEMA recommended De Beers improve the monitoring of site runoff, snowfall and groundwater, conduct further hydrological and hydro-geological study incorporating traditional knowledge (TK), and accomplish better water balance analysis.

2006 Wildlife Monitoring Program Annual Report

De Beers collected data on Valued Ecosystem Components including caribou, grizzly bears, wolverine, and raptors in a 3,019 square kilometres study area from 1999 through 2006. The wildlife monitoring results in 2006 supported the predictions made in the Environmental Assessment Report, and the impacts of the Project on wildlife habitat, wildlife movement and behaviour, and wildlife abundance remained low to negligible.

SLEMA commented that the 2006 monitoring report was essentially a cut and paste of the 2005 annual report with brief additions of 2006 numbers, and the problems in the 2005 annual report remained. SLEMA recommended De Beers improve data presentation, identify omissions, and correct errors.

2006 Vegetation Monitoring Program Annual Report

De Beers reported lower than predicted disturbance area in the report, submitted in November 2007. Although reduced vegetation vigour was observed extending up to 30 meters (buffer) out from the edge of the air strip, no noticeable change in plant vigour was evident beyond that buffer.

SLEMA believed the report approach is relatively clear and well-presented, and recommended that the report clarify its objectives better and provide more details and justification to demonstrate the adequacy of sampling for the objectives.

2006 Environmental Agreement Annual Report

De Beers submitted this Annual Report at the end of 2007, which summarizes the monitoring activities and results of the Project in 2006. The reported environmental management performance is satisfactory.

SLEMA made some observations, with a view to improving future Environmental Agreement Annual Reports.

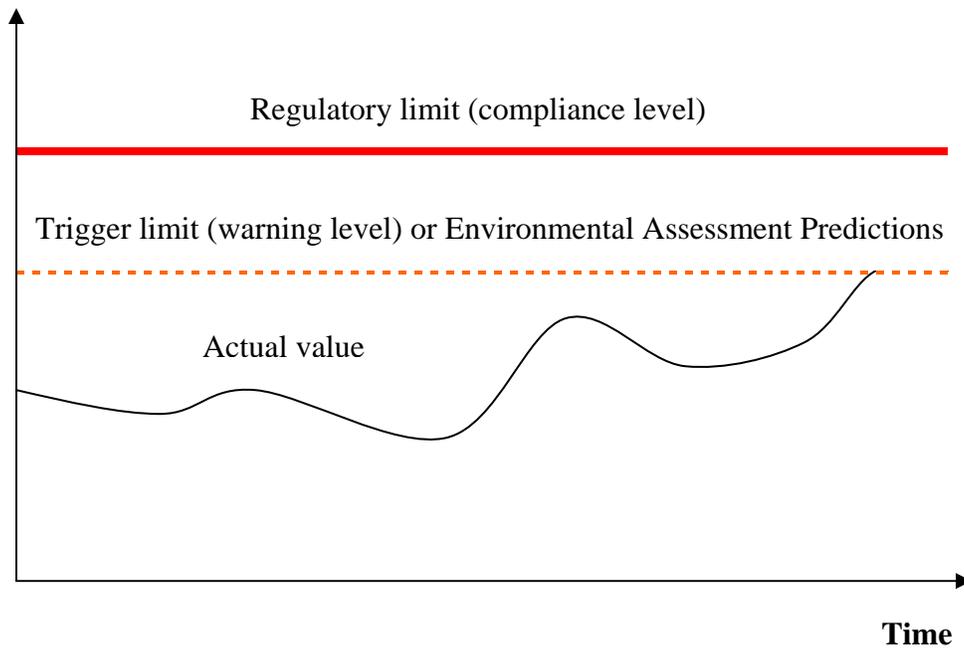
Due to the unexpected, large amount of water pumped out of the underground mine, more TDS was found in the water of Snap Lake. SLEMA concerned about the TDS increase in Snap Lake, and requested that De Beers report to SLEMA whenever the lake TDS data are available.

The reported summaries of Compliance, Mitigative Measures, and Adaptive Measures seemed to be too brief; SLEMA recommended that De Beers provide more details in the future Annual Reports.

SLEMA has been collecting comments on the Project from community members and putting them into the letters to De Beers, and expected that De Beers address them in the future Annual Reports.

In order for De Beers to improve the Annual Reports, whose readers might not have strong scientific background, SLEMA recommended the De Beers enhance the presentation of the monitoring results. One example was provided to show the environmental quality change over time.

**Concentration or Loading of
Contaminants of Interest**



Appendix SLEMA Financial Statements

Snap Lake Environmental Monitoring Agency

Financial Statements

March 31, 2008

Snap Lake Environmental Monitoring Agency

Financial Statements

March 31, 2008

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Statement of Changes in Net Assets	5
Statement of Financial Position	6
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Auditors' Report

To the Members of Snap Lake Environmental Monitoring Agency

We have audited the statement of financial position of Snap Lake Environmental Monitoring Agency as at March 31, 2008 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

**Yellowknife, Canada
August 1, 2008**

Chartered Accountants

Snap Lake Environmental Monitoring Agency

Statement of Operations

For the year ended March 31,	2008	2007
Revenues		
De Beers Canada Mining Inc.	\$ 400,000	\$ -
Interest income	5,198	12,547
Transferred from deferred revenue	206,930	464,589
Transferred to deferred revenue	(105,679)	-
	506,449	477,136
Expenditures		
Honorarium	156,370	157,032
Insurance	167	1,000
Interest and bank charges	231	2,543
Office and administration	101,863	77,118
Professional fees	17,574	19,056
Travel and accommodation	43,460	52,854
Wages and benefits	178,550	160,574
	498,215	470,177
Excess of revenues over expenditures before other item	8,234	6,959
Investment in fixed assets	8,234	6,959
Excess of revenues over expenditures	\$ -	\$ -

Snap Lake Environmental Monitoring Agency

Statement of Changes in Net Assets

For the year ended March 31,	2008	2007
Net assets, beginning of year	\$ 15,377	\$ 14,809
Excess of revenues over expenditures	-	-
	15,377	14,809
Investment in fixed assets	8,234	6,959
Amortization	(9,773)	(6,391)
Net assets, end of year	\$ 13,838	\$ 15,377

Snap Lake Environmental Monitoring Agency

Statement of Financial Position

March 31,	2008	2007
Assets		
Current		
Cash	\$ 20,087	\$ 230,006
Accounts receivable	15	1,516
Prepaid expenses	103,054	642
	123,156	232,164
Equipment (note 4)	13,838	15,377
	\$ 136,994	\$ 247,541
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 17,477	\$ 25,234
Deferred revenue (note 5)	105,679	206,930
	123,156	232,164
Net assets		
Investment in fixed assets	13,838	15,377
	\$ 136,994	\$ 247,541

Approved by the members:

__ Director

__ Director

Snap Lake Environmental Monitoring Agency

Statement of Cash Flows

For the year ended March 31,	2008	2007
Cash provided by (used for)		
Operating activities		
Excess of revenues over expenditures	\$ 8,234	\$ 6,959
Change in non-cash working capital items		
Accounts receivable	1,501	6,515
Prepaid expenses	(102,412)	-
Accounts payable and accrued liabilities	(7,757)	(7,607)
Deferred revenue	(101,251)	(428,889)
Contribution repayable	-	(35,700)
	(201,685)	(458,722)
Investing activity		
Purchase of equipment	(8,234)	(6,959)
Decrease in cash	(209,919)	(465,681)
Cash, beginning of year	230,006	695,687
Cash, end of year	\$ 20,087	\$ 230,006

Snap Lake Environmental Monitoring Agency

Notes to the Financial Statements

March 31, 2008

1. Organizational purpose

Snap Lake Environmental Monitoring Agency the ("Agency") is a non-profit organization incorporated under the *Societies Act* of the Northwest Territories. It is exempt from income tax under Section 149(1)(l) of the *Income Tax Act*.

The mission of the Agency is to oversee environmental management of the De Beers Snap Lake Diamond Project.

The Agency was incorporated and commenced operations on December 10, 2004.

Snap Lake Environmental Monitoring Agency

Notes to the Financial Statements

March 31, 2008

2. Accounting changes

Effective April 1, 2007, the Agency implemented the new CICA Handbook Section 1506 "accounting changes". Under these new recommendations, voluntary changes in accounting policy are permitted only when they result in the financial statements providing reliable and more relevant information. This section requires changes in accounting policy to be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively and requires enhanced disclosures about the effects of change in accounting policies, estimates and error on the financial statements.

These recommendations also require the disclosure of new primary sources of generally accepted accounting principles that have been issued that the Agency has not adopted because they are not yet in effect.

The impact the adoption of this Section will have on the Agency's financial statements will depend on the nature of future accounting changes.

General standards for financial statement presentation

The CICA has amended Handbook Section 1400 "General standards of financial statement presentation" effective for periods beginning on or after January 1, 2008 to include requirements to assess and disclose the company's ability to continue as a going concern. The adoption of this new section is not expected to have an impact on the Agency's financial statements.

Equity

In January 2005, the CICA issued Handbook Section 3251, "Equity," which replaces Section 3250, "Surplus." It establishes standards for the presentation of equity and changes in equity during reporting periods beginning on or after October 1, 2006 (October 1, 2007 for non-publicly accountable enterprises). Financial statements for prior periods are required to be restated for certain specified adjustments. For other adjustments, the adjusted amount must be presented in the opening balance of accumulated other comprehensive income. The Agency adopted this Section on April 1, 2007. There was no effect on the Agency's financial statements.

International Financial Reporting Standards

In January 2006, the CICA Accounting Standards Board (AcSB) adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards ("IFRS") by the end of 2011. The impact of the transition to IFRS on the Agency's financial statements has not yet been determined.

Snap Lake Environmental Monitoring Agency

Notes to the Financial Statements

March 31, 2008

3. Significant accounting policies

The following is a summary of the significant accounting policies used by management in the preparation of these financial statements.

(a) Financial instruments – Recognition and Measurement

Section 3855 requires that all financial assets and financial liabilities be measured at fair value on initial recognition except for certain related party transaction. Measurement in subsequent periods depends on whether the financial asset or liability has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other liabilities.

Financial instruments classified as held-for-trading are subsequently measured at fair value and unrealized gains and losses are included in net income in the period in which they arise. Cash has been classified as held-for-trading.

Available-for-sale assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as held-for-trading, held-to-maturity, or loans and receivables. Available-for-sale assets are subsequently measured at fair value with unrealized gains and losses recorded in other comprehensive income until realized, at which time they will be recognized in net income. No assets have been classified as available-for-sale.

Held to maturity assets are those non-derivative financial assets with fixed or determinable payments and fixed maturity that the Authority has an intention and ability to hold until maturity, excluding those assets that have been classified as held-for-trading, available-for-sale, or loans and receivables. They are subsequently measured at amortized cost using the effective interest method. No assets have been classified as held to maturity.

Financial instruments classified as loans and receivables are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand, usually with interest. These assets do not include debt securities or assets classified as held-for-trading. They are subsequently measured at amortized cost using the effective interest method. Accounts receivable have been classified as loans and receivables.

Accounts payable and accrued liabilities are classified as other financial instruments and are measured at cost or amortized cost.

(b) Financial instruments - Disclosure and Presentation

Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives and identifies the information that should be disclosed about them. Under the new standards, policies followed for periods prior to the effective dated generally are not reversed and therefore, the comparative figures have not been restated.

Snap Lake Environmental Monitoring Agency

Notes to the Financial Statements

March 31, 2008

3. Significant accounting policies (continued)

(c) Equipment

Equipment is recorded at original cost plus any costs of betterment less accumulated amortization and excludes any assets not in current use. Amortization is calculated by the declining balance method at the annual rates set out in note 4.

(d) Investment in fixed assets

Investment in fixed assets represents the accumulated cost of acquired capital assets net of disposals and amortization.

(e) Revenue recognition

The Agency follows the deferral method of accounting. The Agency recognizes unrestricted contributions when they are received or receivable if the amount receivable can be reasonably estimated and its collection is reasonably assured. Restricted contributions are recognized as revenue when the terms and conditions are met. The portion of revenue related to projects not completed at year end is deferred. Contributions for projects for which unexpended funds must be reimbursed at the end of the fiscal year are shown as contributions repayable.

(f) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

4. Equipment

		2008		2007
	Rate	Cost	Accumulated amortization	Net book value
Furniture and fixtures	20% \$ 45% &	9,400 \$	3,665 \$	5,735 \$
Computer equipment	55%	13,482	7,640	5,842
Computer software	100%	9,274	7,013	2,261
		\$ 32,156 \$	18,318 \$	13,838 \$
				15,377

Snap Lake Environmental Monitoring Agency

Notes to the Financial Statements

March 31, 2008

5. Deferred revenue

	2008	2007
De Beers Canada Mining Inc.	\$ 105,679	\$ 128,896
Department of Indian Affairs and Northern Development	-	78,034
	\$ 105,679	\$ 206,930

6. Supplemental cash flow information

	2008	2007
Interest received	\$ 5,198	\$ 12,009

7. Economic dependence

The Agency receives all of its contribution funding from De Beers Canada Mining Inc. Management is of the opinion that operations would be significantly affected if the funding was substantially curtailed or ceased.

8. Commitments

The Agency has entered into a premises lease commencing June 1, 2008 and expiring May 31, 2010 for \$2,160 per month.

9. Financial instruments

The following sections describe the Agency's financial risk management objectives and policies and the Agency's financial risk exposures.

The Agency does not have formalized financial risk management objectives and policies.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Agency is exposed to credit risk from customers. However, the Agency's customers include De-Beers Canada Mining Inc. as well as The Department of Indian Affairs and Northern Development, therefore credit risk is mitigated.